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Summary of Financial Results for the Year Ended July 31, 2020 (Based on Japanese GAAP)

September 10, 2020

Company name: RAKSUL INC.
 Listed stock exchange : Tokyo
 Stock code: 4384 <https://corp.raksul.com/>
 Representative: Representative Director, President and CEO Yasukane Matsumoto
 Inquiries: Director, CFO Yo Nagami TEL +81-3-6629-4893
 Scheduled date of ordinary general meeting of shareholders: October 27, 2020
 Scheduled date to file Securities Report: October 28, 2020
 Scheduled date of dividend payments: –
 Supplementary materials: Yes
 Meeting for institutional investors and analysts: Yes

(Figures are rounded down to the nearest million yen)

1. Financial Results for the Year Ended July 31, 2020 (August 1, 2019 - July 31, 2020)

(1) Operating results (cumulative)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended July 31, 2020	21,494	25.2	(244)	—	(368)	—	(494)	—
Year ended July 31, 2019	17,168	53.6	143	54.6	130	201.2	69	350.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended July 31, 2020	(17.64)	—	(7.3)	(2.6)	(1.1)
Year ended July 31, 2019	2.51	2.38	1.0	1.4	0.8

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2020	19,379	6,801	34.5	236.73
As of July 31, 2019	9,246	6,809	73.6	244.88

Reference: Shareholders' equity July 31, 2020: 6,692million yen July 31, 2019: 6,808million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended July 31, 2020	(126)	(283)	9,956	15,451
Year ended July 31, 2019	11	(266)	(206)	5,904

2. Cash dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended July 31, 2019	—	0.00	—	0.00	0.00
Year ended July 31, 2020	—	0.00	—	0.00	0.00
Year ending July 31, 2021 (forecast)	—	0.00	—	0.00	0.00

3. Forecast for the Fiscal Year Ending July 31, 2021 (August 1, 2020 - July 31, 2021)

4. (Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		non-GAAP Operating profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	27,000 ~28,000	25.6 ~30.3	(150) ~50	—	300 ~500	—

During the fiscal year ending July 31, 2021, there is no change in the management stance of RAKSUL INC. (the "Company") which is focused on growth and realizing its vision "Better Systems, Better World". The Company will continue to reinvest mainly in variable cost, while maintaining the cost structure optimized in the previous fiscal year. The policies for each business segment are as follows; In the Raksul Business Segment, the Company sets gross profit and segment profit as the financial focus. The policy for this business segment is to continue to expand segment profit by reinvesting in the business within the scope of profit. In the Novasell Business Segment, the Company sets revenue and gross margin as the financial focus. The policy for this business segment is to invest mainly in profits generated by the business, hence the losses are expected to be limited. In the Hacobell Business Segment, the Company also sets revenue and gross margin as the financial focus, and prioritizes high growth in revenue while executing a certain level of investment governance and loss control. In addition, the Company expects the gross margin to be improved gradually as in the fourth quarter of the fiscal year ending July 31, 2020.

Based on the policies above, the Company expects revenue of ¥27,000 million to ¥28,000 million (up 25.6% to 30.3% from the previous fiscal year) and gross profit of ¥6,450 million to ¥6,900 million (up 30.9% to 40.0% from the previous fiscal year.) With continued improvement in profitability, we believe that we can achieve higher growth in gross profit than in revenue. Operating profit is expected to be between ¥(150) million and ¥50 million, and non-GAAP operating income, which the Company adds back stock-based compensation to, is expected to be between ¥300 million and ¥500 million, as the Company continues to reinvest in each business to be focused on growth. This financial forecast is based on the assumption that a large-scale state of emergency due to a second wave of COVID 19 will not be declared again in the current fiscal year.

4. Others

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	None
Changes in accounting policies due to other reasons:	None
Changes in accounting estimates:	None
Restatement of prior period financial statements:	None

(2) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)			
July 31, 2020	28,270,090 shares	July 31, 2019	27,805,200 shares
2) Number of treasury stock at the end of period			
July 31, 2020	1,171 shares	July 31, 2019	32 shares
3) Average number of shares outstanding during the period			
Year ended July 31, 2020	28,014,294 shares	Year ended July 31, 2019	27,678,086 shares

This quarterly report of financial results is out of scope from quarterly review procedures conducted by independent auditors.

* Cautionary statement with respect to forward-looking statements

The forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

Quarterly Financial Statements

Balance Sheets

(Thousands of yen)

	As of July 31, 2019	As of July 31, 2020
Assets		
Current assets		
Cash and deposits	5,904,840	15,451,377
Notes receivable - trade	81,863	22,915
Electronically recorded monetary claims - operating	1,753	12,452
Accounts receivable - trade	1,826,588	2,157,262
Raw materials and supplies	4,945	36,983
Prepaid expenses	92,458	188,673
Other	69,505	154,246
Allowance for doubtful accounts	(114)	(637)
Total current assets	7,981,842	18,023,273
Non-current assets		
Property, plant and equipment		
Buildings	217,366	207,716
Accumulated depreciation	(45,031)	(62,411)
Buildings, net	172,335	145,305
Machinery and equipment	581,336	751,336
Accumulated depreciation	(221,217)	(372,851)
Machinery and equipment, net	360,118	378,484
Tools, furniture and fixtures	58,102	72,003
Accumulated depreciation	(30,032)	(41,802)
Tools, furniture and fixtures, net	28,069	30,200
Leased assets	170,000	—
Accumulated depreciation	(76,500)	—
Leased assets, net	93,500	—
Total property, plant and equipment	654,023	553,990
Intangible assets		
Software	105,446	297,625
Software in progress	67,425	47,659
Total intangible assets	172,872	345,285
Investments and other assets		
Shares of subsidiaries and associates	—	31,683
Investment securities	128,352	124,256
Long-term prepaid expenses	—	126,665
Guarantee deposits	235,071	174,662
Deferred tax assets	74,144	—
Total investments and other assets	437,568	457,267
Total non-current assets	1,264,463	1,356,543
Total assets	9,246,306	19,379,817

	As of July 31, 2019	As of July 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,458,493	1,654,786
Short-term borrowings	180,000	40,000
Current portion of long-term borrowings	91,430	—
Lease obligations	41,402	—
Accounts payable - other	332,068	500,595
Income taxes payable	49,974	30,902
Accrued consumption taxes	53,557	63,715
Advances received	41,476	70,473
Other	84,416	45,273
Total current liabilities	2,332,818	2,405,745
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	—	5,043,333
Long-term borrowings	—	5,000,000
Asset retirement obligations	103,716	104,495
Deferred tax liabilities	—	24,714
Total non-current liabilities	103,716	10,172,543
Total liabilities	2,436,535	12,578,288
Net assets		
Shareholders' equity		
Share capital	1,958,453	2,152,347
Capital surplus		
Legal capital surplus	4,765,791	4,959,686
Total capital surpluses	4,765,791	4,959,686
Retained earnings		
Other retained earnings		
Retained earnings brought forward	85,057	(409,078)
Total retained earnings	85,057	(409,078)
Treasury shares	(101)	(249)
Total shareholders' equity	6,809,201	6,702,705
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(284)	(10,542)
Total valuation and translation adjustments	(284)	(10,542)
Share acquisition rights	854	109,364
Total net assets	6,809,770	6,801,528
Total liabilities and net assets	9,246,306	19,379,817

Statements of Income (cumulative)

(Thousands of yen)

	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020
Net sales	17,168,658	21,494,598
Cost of sales	13,224,435	16,566,457
Gross profit	3,944,222	4,928,140
Selling, general and administrative expenses	3,800,366	5,172,422
Operating profit (loss)	143,856	(244,281)
Non-operating income		
Interest income	73	6,886
Dividend income	780	780
Miscellaneous income	2,647	5,835
Total non-operating income	3,500	13,502
Non-operating expenses		
Interest expenses	8,444	29,193
Bond issuance costs	—	59,414
Loss on investments in investment partnerships	1,824	3,451
Listing expenses	4,000	9,111
Move out fee of office	—	21,527
Miscellaneous loss	2,844	14,951
Total non-operating expenses	17,113	137,649
Ordinary profit (loss)	130,243	(368,429)
Extraordinary income		
Gain on sales of non-current assets	239	—
Total extraordinary income	239	—
Extraordinary losses		
Loss on retirement of non-current assets	7,131	20,292
Loss on valuation of shares of subsidiaries and associates	45,712	—
Total extraordinary losses	52,843	20,292
Profit (loss) before income taxes	77,640	(388,722)
Income taxes - current	29,423	6,383
Income taxes - deferred	(21,381)	99,029
Total income taxes	8,041	105,413
Profit (loss)	69,598	(494,135)

Statements of Changes in Equity

Fiscal year ended July 31,2019

	Shareholders' equity							Valuation and translation adjustments		Share acquisition rights	Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings						
				Retained earnings brought forward							
Balance at beginning of period	1,926,045	4,733,383	4,733,383	15,459	15,459	—	6,674,887	—	—	910	6,675,797
Changes during period											
Issuance of new shares	32,380	32,380	32,380				64,760				64,760
Profit				69,598	69,598		69,598				69,598
Purchase of treasury shares						(101)	(101)				(101)
Net changes in items other than shareholders' equity	28	28	28				56	(284)	(284)	(56)	(284)
Total changes during period	32,408	32,408	32,408	69,598	69,598	(101)	134,313	(284)	(284)	(56)	133,973
Balance at end of period	1,958,453	4,765,791	4,765,791	85,057	85,057	(101)	6,809,201	(284)	(284)	854	6,809,770

Fiscal year ended July 31,2020

(Thousands of yen)

	Shareholders' equity							Valuation and translation adjustments		Share acquisition rights	Total net assets
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings						
				Retained earnings brought forward							
Balance at beginning of period	1,958,453	4,765,791	4,765,791	85,057	85,057	(101)	6,809,201	(284)	(284)	854	6,809,770
Changes during period											
Issuance of new shares	193,894	193,894	193,894				387,789				387,789
Profit				(494,135)	(494,135)		(494,135)				(494,135)
Purchase of treasury shares						(148)	(148)				(148)
Net changes in items other than shareholders' equity								(10,257)	(10,257)	108,510	98,252
Total changes during period	193,894	193,894	193,894	(494,135)	(494,135)	(148)	(106,495)	(10,257)	(10,257)	108,510	(8,242)
Balance at end of period	2,152,347	4,959,686	4,959,686	(409,078)	(409,078)	(249)	6,702,705	(10,542)	(10,542)	109,364	6,801,528

Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	77,640	(388,722)
Depreciation	130,860	170,989
Share-based remuneration expenses	—	84,493
Loss on valuation of shares of subsidiaries and associates	45,712	—
Loss (gain) on investments in investment partnerships	1,824	3,451
Increase (decrease) in allowance for doubtful accounts	100	523
Interest and dividend income	(853)	(7,666)
Interest expenses	8,444	29,193
Bond issuance costs	—	59,414
Loss (gain) on sales of property, plant and equipment	(239)	—
Loss on retirement of non-current assets	7,131	20,292
Decrease (increase) in trade receivables	(770,485)	(282,423)
Increase (decrease) in trade payables	551,489	196,293
Increase (decrease) in accounts payable - other	81,568	162,470
Other, net	(87,381)	(113,067)
Subtotal	45,811	(64,756)
Interest and dividends received	853	999
Interest paid	(7,540)	(27,221)
Income taxes paid	(27,314)	(35,259)
Net cash provided by (used in) operating activities	11,810	(126,238)
Cash flows from investing activities		
Purchase of property, plant and equipment	(52,263)	(26,935)
Proceeds from sales of property, plant and equipment	1,200	—
Purchase of intangible assets	(136,828)	(224,463)
Payments of guarantee deposits	(57,747)	(2,599)
Proceeds from refund of guarantee deposits	329	11,815
Purchase of investment securities	(40,289)	(9,784)
Purchase of shares of subsidiaries	—	(31,683)
Proceeds from liquidation of subsidiaries	19,176	—
Short-term loan advances	—	(47,500)
Collection of short-term loans receivable	—	47,500
Net cash provided by (used in) investing activities	(266,422)	(283,651)
Cash flows from financing activities		
Repayments of short-term borrowings	(40,000)	(140,000)
Proceeds from long-term borrowings	—	5,000,000
Repayments of long-term borrowings	(194,868)	(91,430)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	64,760	112,718
Proceeds from issuance of share acquisition rights	—	84,700
Purchase of treasury shares	(101)	(148)
Repayments of lease obligations	(36,556)	—
Proceeds from issuance of bonds with share acquisition rights	—	4,990,585
Net cash provided by (used in) financing activities	(206,765)	9,956,425
Net increase (decrease) in cash and cash equivalents	(461,377)	9,546,536
Cash and cash equivalents at beginning of period	6,366,217	5,904,840
Cash and cash equivalents at end of period	5,904,840	15,451,377

Results by Segment

Fiscal year ended July 31,2019

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	14,462,876	1,067,396	1,542,471	17,072,744	95,914	17,168,658	—	17,168,658
Transactions with other segments	—	—	152	152	—	152	(152)	—
Net sales	14,462,876	1,067,396	1,542,624	17,072,897	95,914	17,168,811	(152)	17,168,658
Operating profit (loss)	1,313,191	74,399	(161,433)	1,226,158	27,434	1,253,592	(1,109,736)	143,856
Other items								
Depreciation	95,693	610	3,934	100,238	—	100,238	30,621	130,860
Increase in property, plant and equipment and intangible assets	55,156	3,665	44,904	103,727	—	103,727	26,442	130,169

Fiscal year ended July 31,2020

(Thousands of yen)

	Reportable segments				Other	Total	Reconciling items	Per financial statements
	Raksul	Novasell	Hacobell	Reportable segments				
Sales								
Revenues from external customers	16,330,308	2,853,831	2,186,047	21,370,187	124,411	21,494,598	—	21,494,598
Transactions with other segments	—	—	—	—	—	—	—	—
Net sales	16,330,308	2,853,831	2,186,047	21,370,187	124,411	21,494,598	—	21,494,598
Operating profit (loss)	1,340,790	4,986	(370,333)	975,443	44,586	1,020,030	(1,264,312)	(244,281)
Other items								
Depreciation	113,986	2,025	15,777	131,789	—	131,789	39,200	170,989
Increase in property, plant and equipment and intangible assets	332,463	29,394	103,010	464,868	—	464,868	28,239	493,107